

Memorandum



Subject [REDACTED]

Date May 22, 1995

7D

To Kate Balaban

From Wendy Saltzman

In a telephone interview, [REDACTED] alleged that Frito Lay has initiated exclusive dealing arrangements with grocery and convenience stores aimed at displacing [REDACTED] from the marketplace. [REDACTED]

[REDACTED] According to [REDACTED] Frito Lay's is currently targeting retail sales outlets through two types of agreements: FL has exclusive agreements with certain stores to sell only FL products, and in other stores FL is replacing competition by outbidding the other snack manufacturers for shelf space.

[REDACTED] maintains that [REDACTED] has mainly been shut out as a result of exclusive agreements in convenience stores where he has lost [REDACTED] in gross sales over the past year. In order to operate at a profitable margin, a distributor should generate [REDACTED] in gross sales per week, but currently [REDACTED] is operating at a loss, only generating [REDACTED] a week. Frito Lay makes [REDACTED] a week just from a single franchise, [REDACTED] almost the same amount [REDACTED] makes from all of its convenience sales in the same area. (b)(4)

Frito Lay's influence in the vending machine industry is not significant at this point, but [REDACTED] fears it may be growing. Over the past 2-3 years FL has ordered the production of 10,000 new vending machines, some which will display both Frito Lay and Pepsi products in the same machines. [REDACTED]

[REDACTED] said that "Frito Lay would love for me to just disappear. I can hardly get an appointment with store owners because they are so scared to upset Frito Lay." [REDACTED] (b)(5)